

DOCUMENT RESUME

ED 143 746

UD 017 312

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TITLE Alternative Strategies for Title I Allocation: An Outline of Current Research.
PUB DATE 5 Apr 77
NOTE 8p.; Paper presented at the AERA Symposium: Achievement Measures as Title I Funds Allocation Criteria (New York, N.Y., April 5, 1977)

EDRS PRICE MF-\$0.83 HC-\$1.67 Plus Postage.
DESCRIPTORS Academic Achievement; Change Strategies; *Compensatory Education Programs; Definitions; *Economically Disadvantaged; *Educationally Disadvantaged; Federal Programs; Poverty Research; Research Needs; *Resource Allocations; School Funds; *State Federal Aid; *State of the Art Reviews

IDENTIFIERS *Elementary Secondary Education Act Title I; ESEA Title I

ABSTRACT

This study focuses on three areas: First it explains how funds for Title I of the Elementary and Secondary Education Act are allocated. Second, it contrasts an achievement-based funding procedure, the CEMREL study, with the present poverty-based funding procedure, and third, it describes other ongoing research in this area. The formula currently used in allocating funds through Title I uses counts of economically deprived children. The total allocation received by a county is obtained from the number of eligibles by the allocation per child. The CEMREL study considers the issue of giving out Title I funds on the basis of educational disadvantage rather than economic disadvantage. It suggests that counts of low-achieving children could replace counts of economically disadvantaged children in the current formula. A related NIE project is examining the feasibility and effects of a number of alternative methods of allocating funds within districts. Educational need is not the only funding alternative under study. A set of mandated studies "The Measure Poverty" series, conducted by other parts of HEW has addressed the inadequacies of the current poverty measure.

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ED143746

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Paper prepared for the
AERA Symposium: Achievement
Measures as Title I Funds
Allocation Criteria
April 5, 1977

by

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UD 17312

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EDUCATION & WELFARE
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INTRODUCTION

The study you are now going to hear about is an important part of a wide-ranging research effort. The Education Amendments of 1974 mandated a series of studies concerning compensatory education. Most of these studies are due to report before the re-enactment of the Elementary and Secondary Education Act. They are intended to help Congress to make major policy decisions concerning that Bill.

The National Institute of Education was given an important role in this research effort. We have funded over forty studies in four major areas of interest:

- ° the allocation of funds for compensatory education
- ° the actual services provided with these funds
- ° the effects of compensatory services on the development of children
- ° the impact of Federal, state, and local administration on program funding and design

The CEMREL study is part of the first set of studies, the studies in allocation of compensatory funds. To help you to understand the place of this study in the funds allocation research effort, I will comment briefly on three matters.

First, I'll explain how Title I funds are allocated at the present time.

Second, I'll contrast an achievement-based funding procedure to the present poverty-based procedure.

Third, I'll give you a whirlwind tour of the other research going on in this area, both for the NIE study and for the other mandated studies.

I. Funds Allocation Under Title I, ESEA

Of the two billion dollars distributed annually through Title I, approximately \$300 million goes to state agencies for a variety of special need groups, like handicapped children and children of migrant agricultural workers. Money is allocated also for the state administration of Title I, and for programs in outlying areas. \$1.7 billion remains to be distributed by formula to the school districts in the 50 states, the District of Columbia, and Puerto Rico.

The formula currently uses counts of economically deprived children. These are compiled for each county. There are three categories of these children. By far the largest group are children 5-17 from families below the Census poverty line. The poverty line varies according to a number of family characteristics, of which the most important is size. There were 7.7 million children in poor families in 1970, about 15% of all children 5-17.

The poverty counts rely on Census income data, which is available for areas as small as counties only at the decennial Census. One of the major problems with the Title I allocation system is this heavy reliance on such old data. The mid-decade Census planned for 1985 may solve this problem, but it will be of increasing severity until the 1980 Census data become available for use in 1982 or 1983.

The remaining ten percent of Title I "formula eligibles" are in two smaller categories: children in families receiving high levels of AFDC assistance, and children either in local institutions or in foster families. These two categories of children are counted annually.

The total allocation received by a county is obtained from the number of formula eligible children by multiplying the number of eligibles by the

allocation per child. The allocation per child varies according to the average per pupil expenditure of each State, which is used as a "cost factor," and according to the total funding available. In 1977, nearly all counties received between \$155 and \$245 per eligible, with the national average approximately \$195.

This county allocation is in most states an intermediate step. The money must be allocated to LEAs, but the data to do this is not available at the Federal level. So, after county allocations are calculated by HEW, each state has the responsibility for dividing the county allocations among the LEAs in each county. The states must use a consistent subcounty allocation procedure, based on counts of disadvantaged children. The precise details are left up to each state, but are subject to guidelines laid down by the Commissioner of Education.

In order for an LEA to receive its Title I money, it must conform to a number of regulations which direct how it selects schools and children for compensatory programs. Economic measures guide the money as far as the school, but no further. There is no requirement that the number of children actually served by Title I be related to the number counted for allocation purposes. In fact, children within Title I schools are selected for Title I not on the basis of economic disadvantage, but on the basis of educational need.

II. The CEMREL Study

In the debate over re-enactment of Title I, leading to the Education Amendments of 1974, some Congressmen expressed considerable interest in the possibility of giving out Title I funds on the basis of educational disadvantage, rather than economic disadvantage. For example, counts of low-achieving children could replace counts of economically disadvantaged children in the current formula.

There are a number of possible arguments for such a change. Some people argue that counts of low-income children were always meant to estimate the degree of educational disadvantage, so that if educational disadvantage could be measured directly, this would be more in keeping with the purpose of ESEA. Others argue that whatever the original intention of Congress, it is appropriate to use educational criteria when funding a program aimed at educational disadvantage. Another argument is that it is more feasible to collect education data periodically than income data, so that an education-based allocation system can better keep up with local changes.

These arguments are controversial. What was less controversial was that Congress lacked the information required to give the arguments a fair hearing. That is, there was only very limited information available which shed any light on two critical issues. First, is it technically feasible to acquire the data needed for achievement-based funding? Second, what would be the allocative effects of a switch to such a system? By collecting, equating, and analyzing achievement data at the state and district level, this study will provide a unique source of information on both issues.

III. Other Fund Allocation Studies

The CEMREL study will enable us to discuss the implications of achievement-based funding to states, and within states to LEAs. Another NIE project, the Demonstration Studies in Fund Allocation, is examining the feasibility and effects of a number of alternative methods of allocating funds within districts: that is, in selecting schools and children for participation in Title I. In the Demonstration Studies, thirteen districts are allocating funds by procedures different from official Title I procedures. Four of the districts are ranking schools by educational need, rather than by economic characteristics of their school attendance area. Another seven districts are serving all low-achieving children in certain grades, regardless of the economic characteristics of their school attendance area.

Educational need is not the only funding alternative under study. A set of mandated studies conducted by other parts of HEW have addressed the inadequacies of the current poverty measure.

One of these, an HEW study of The Measure of Poverty, examined a number of innovations that have been proposed in poverty measurement, including cost-of-living adjustments, adjustments for "in-kind" income (like Food Stamps and public housing), and revision of the basic consumption data on which the poverty definition is based. The study was discouraging about the feasibility of most proposed innovations in poverty measurement. The authors of the report argued that available data is inadequate to the task, and that for some adjustments we don't even have a good theoretical understanding of the problem. The poverty study did, however, suggest an revision of the basic poverty standard, using recent information on consumption behavior. Their proposed poverty lines have yet to be generally accepted.

Another mandated study, a Survey of Income and Education, reported to Congress in February. The Survey was carried out in the spring and early summer of 1976. It discovered quite drastic changes in the distribution of poverty since 1970. The SIE data is certain to be an important part of the coming debates over Title I.

A related study, due to report in July, examines ways to update periodically the 1970 Census State and county data used in Title I allocations.

NIE studies in the area of fund allocation cover a number of diverse issues. We are studying in great detail the amounts of funding received by different areas under the current allocation and under a number of possible alternative poverty-based formulas. We are studying the subcounty allocation process: how states actually determine LEA allocations. We are studying the effect of Federal grants on local educational spending. We are also considering various proposals for increasing compensatory education at the secondary level.

The Interim Report of the Compensatory Education Study goes into much greater detail about what we are doing. But, of course, "we" cannot do it without the technical expertise of our contractors, including this fine team who are reporting to you today.